

ANNUAL  
REPORT

1979

NOTICE OF MEETING  
INFORMATION CIRCULAR

**C**  
**HIMO**  
**GOLD MINES**  
**L I M I T E D**

FOR THE YEAR ENDED DECEMBER 31, 1979



## DIRECTORS

M. P. Connell ..... Toronto, Ontario  
D. J. Hains ..... Oakville, Ontario  
J. C. Lamacraft ..... Toronto, Ontario  
R. J. Metcalfe ..... Toronto, Ontario  
C. K. O'Connor ..... Toronto, Ontario

## OFFICERS

M. P. Connell ..... Chairman of the Board  
J. C. Lamacraft ..... President and  
Chief Executive Officer  
C. C. Coolican ..... Executive Vice-President  
J. A. Kalman ..... Vice-President  
C. K. O'Connor ..... Vice-President, Exploration  
and Development  
J. A. Patterson ..... Vice-President and  
Secretary  
J. S. Adams ..... Treasurer

## HEAD OFFICE

Suite 1010, 85 Richmond Street West  
Toronto, Ontario  
M5H 2G1



## TRANSFER AGENT AND REGISTRAR

National Trust Company, Limited  
Toronto, Ontario



## AUDITORS

Thorne Riddell,  
Toronto, Ontario



## BANKERS

The Toronto-Dominion Bank  
Toronto, Ontario



## SOLICITORS

Davies, Ward & Beck  
Toronto, Ontario  
McCarthy & McCarthy  
Toronto, Ontario



## ANNUAL MEETING

June 6, 1980  
9:30 a.m.  
Rosedale Room,  
Hotel Plaza II  
90 Bloor Street East,  
Toronto, Ontario



# Chimo Gold Mines Limited

## Directors' Report to Shareholders

To the Shareholders,  
Chimo Gold Mines Limited.

Your directors are pleased to submit the Company's Annual Report for the year ended December 31, 1979.

### Financial

Net income for the year amounted to \$367,668 or \$0.11 per share compared to a restated \$215,389 or \$0.06 per share in 1978. Working capital, together with the market value of investments carried as non-current assets totalled \$9,133,545.

### The Iron Bay Trust

Your Company holds 1,000,000 units of The Iron Bay Trust. Royalty income received from this source during the year amounted to \$596,300 versus \$545,000 in 1978. The Trust owns an 80% interest in an iron ore property known as the Griffith Mine, which is leased to The Steel Company of Canada, Limited until April 30, 2040. The mine commenced production in 1969 and the production rate has stabilized at approximately 1,500,000 tons of iron ore pellets per annum. The lease agreement provides for escalation of the royalty rate payable to the Trust proportionately with increases in the price of iron ore pellets. The royalty rate was increased in 1979 by 11% from \$0.97 per ton at January 1, 1979 to \$1.08 per ton at December 31, 1979. Subsequent to year-end the royalty rate has been increased by a further 8.6% to \$1.17 per ton.

### Mineral Exploration

The Company participated to the extent of 27% in the Conwest

managed general mineral exploration programme. Total exploration expenditures, including uranium, for the year amounted to \$188,406. The most significant projects include base metal prospects in the Yukon and New Brunswick. In the former, a joint venture with Essex Minerals Company, Conwest carried out over 8,000 feet of diamond drilling to further test a massive sulphide target located in 1978. Encouraging values in zinc, lead and silver were obtained. Subsequent to year-end, Conwest reached an agreement with Getty Canadian Metals, Limited to further explore the property. The Conwest Group participants have recovered their exploration costs to date and retain a 5% net smelter return royalty on the 51% Getty interest. Several properties in the Bathurst area of New Brunswick were actively explored in 1979, including limited diamond drilling. Subsequent to year-end, Conwest reached an agreement whereby Brunswick Mining and Smelting Corporation Limited agreed to undertake further exploration of several of these properties with the Conwest Group retaining either a working interest or a carried interest once certain expenditure levels have been reached.

The Company participates to the extent of 15% in the Conwest Group's 12.5% equity and 3% gross production royalty in the Conwest Canadian Uranium Exploration Joint Venture now managed by Eldorado. Total expenditures in 1979 under the Joint Venture, including contributions by Saskatchewan Mining Development Corporation and Denison on the Saskatchewan properties reached \$2,755,000. No significant new uranium occurrences were located

in Saskatchewan; however, detailed ground prospecting has defined the probable source of one of several uranium boulder trains located on the Joint Venture's northern Quebec permits. Drilling of these permits originally planned for 1979 will commence before break-up in 1980.

The Company's former gold producing property in northwestern Quebec is under option to Soquem who have carried out extensive geophysical surveys and over 5,000 feet of diamond drilling to date. The Company will receive a further cash payment and be entitled to receive a royalty from any production, if the option to purchase the property is exercised.

### Consortina Incorporated

Operating results for 18% owned Consortina Incorporated showed a modest improvement for the year. Sales increased to \$11,934,000 from \$11,055,000 in 1978 and operating income increased to \$1,516,000 from \$1,485,000. Further improvement is anticipated for 1980 and some expansion to be funded out of Consortina's internally generated cash flow is now planned.

### Corporate Development

During the year the Company became a subsidiary of Conwest Exploration Company Limited which now holds a 70.9% interest.

On Behalf of the Board,

MARTIN P. CONNELL,  
Chairman of the Board,

JOHN C. LAMACRAFT,  
President and Chief Executive  
Officer.

Toronto, Ontario,  
April 29, 1980.

# Chimo Gold

(Incorporated under the laws of the Province of Ontario)

## Balance Sheet as at

### ASSETS

<b>Current Assets</b>	<b>1979</b>	<b>1978</b>
Cash and short term deposits .....	\$ 460,029	\$ 12,273
Royalty receivable .....	160,000	140,000
Accounts receivable .....	6,594	10,208
	<u>626,623</u>	<u>162,481</u>
<b>Investment in Mining Companies and Properties</b>		
Shares with a quoted market value, at cost (quoted market value 1979, \$1,610,453; 1978, \$481,248) .....	312,586	405,800
Units of The Iron Bay Trust, at cost less accumulated amortization of \$128,724 (1978, \$117,009) (quoted market value 1979, \$7,000,000; 1978, \$6,500,000) .....	226,169	237,884
Mineral exploration interests .....	1	1
	<u>538,756</u>	<u>643,685</u>
<b>Investment in Consortina</b> (note 2) .....	<u>1,368,000</u>	<u>1,397,760</u>
<b>Other Investments</b> , at cost less amounts written off		
Shares .....	1	39,005
Advances .....	30,336	110,971
	<u>30,337</u>	<u>149,976</u>
<b>Mortgages from Directors</b> , due in annual instalments of \$5,000, non- current portion .....	63,700	68,700
	<u>\$ 2,627,416</u>	<u>\$ 2,422,602</u>

**AUDITORS**

To the Shareholders of  
Chimo Gold Mines Limited

We have examined the balance sheet of Chimo Gold Mines Limited as at December 31, 1979 and the statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

Toronto, Canada  
April 10, 1980



# Mines Limited

(Incorporated under the laws of Ontario)

December 31, 1979

## LIABILITIES

<b>Current Liabilities</b>	<b>1979</b>	<b>1978</b>
Accounts payable and accrued liabilities .....	<b>\$ 103,531</b>	<b>\$ 36,385</b>
<b>Term Bank Loan</b> .....		<b>230,000</b>

## SHAREHOLDERS' EQUITY

<b>Capital Stock</b>		
Authorized		
5,000,000 Shares, par value \$1 each		
Issued		
3,371,086 Shares .....	<b>3,371,086</b>	3,371,086
Less discount .....	<b>1,212,167</b>	1,212,167
	<b>2,158,919</b>	2,158,919
<b>Retained Earnings (Deficit)</b> .....	<b>364,966</b>	(2,702)
	<b>2,523,885</b>	2,156,217

Commitment (note 4)

Approved by the Board

M. P. CONNELL, Director

J. C. LAMACRAFT, Director

<b>\$ 2,627,416</b>	<b>\$ 2,422,602</b>
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## REPORT

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change, with which we concur, in the method of accounting for mineral exploration interests as described in note 1(a), on a basis consistent with that of the preceding year.

THORNE RIDDELL & CO.  
Chartered Accountants

# Chimo Gold Mines Limited

## STATEMENT OF CHANGES IN FINANCIAL POSITION Year Ended December 31, 1979

	1979	1978
<b>Working capital derived from</b>		
Operations . . . . .	\$ 379,383	\$ 298,412
Sale of shares with a quoted market value . . . . .	343,494	186,967
Reduction in investment in Consortina . . . . .	29,760	
Reduction in other investments . . . . .	119,639	
Reduction in mortgages from directors . . . . .	5,000	2,500
Term bank loan . . . . .		230,000
	<u>877,276</u>	<u>717,879</u>
<b>Working capital applied to</b>		
Purchase of shares with a quoted market value . . . . .	250,280	97,546
Increase in investment in Consortina (net) . . . . .		808,331
Increase in other investments (net) . . . . .		110,687
Repayment of term bank loan . . . . .	230,000	
	<u>480,280</u>	<u>1,016,564</u>
<b>Increase (decrease) in working capital . . . . .</b>	<b>396,996</b>	<b>(298,685)</b>
<b>Working capital at beginning of year . . . . .</b>	<b>126,096</b>	<b>424,781</b>
<b>Working capital at end of year . . . . .</b>	<b>\$ 523,092</b>	<b>\$ 126,096</b>

# Chimo Gold Mines Limited

## STATEMENT OF INCOME AND RETAINED EARNINGS Year Ended December 31, 1979

	1979	1978
<b>Revenue</b>		
Royalties .....	\$ 596,300	\$ 545,000
Dividends and interest .....	23,361	6,881
Gain on sale of investments .....	165,225	35,431
Management fees and other income .....		27,888
	<u>784,886</u>	<u>615,200</u>
<b>Expenses</b>		
Mineral exploration (note 1(a)) .....	188,406	124,790
General administrative .....	190,703	135,681
Corporate .....	23,258	14,750
Interest on term bank loan .....	3,136	41,567
Amortization of investment in The Iron Bay Trust .....	11,715	12,066
	<u>417,218</u>	<u>328,854</u>
Income before undernoted .....	367,668	286,346
Provision for loss on other investments .....		70,957
<b>Net Income</b> .....	<u>367,668</u>	<u>215,389</u>
<b>Retained earnings (deficit) at beginning of year</b>		
As previously reported .....	448,363	140,699
Adjustment arising from change in method of accounting for mineral exploration interests (note 1(a)) .....	(451,065)	(358,790)
As restated .....	(2,702)	(218,091)
<b>Retained earnings (deficit) at end of year</b> .....	<u>\$ 364,966</u>	<u>\$ (2,702)</u>
<b>Earnings per share</b> .....	<u>\$ 0.109</u>	<u>\$ 0.064</u>



# Chimo Gold Mines Limited

## NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 1979

### 1. Summary of Significant Accounting Policies

#### (a) Mineral exploration interests

During the year the Corporation changed its method of accounting for mineral exploration interests whereby direct exploration expenditures and the cost of acquisition of mineral exploration interests are charged to income in the year incurred. Previously, such costs were deferred in the accounts as long as the related interest was in good standing.

As a result of this change, which has been applied retroactively, mineral exploration interests have been written down to nominal value and net income for 1979 and 1978 has been decreased by \$120,875 (\$0.036 per share) and \$92,275 (\$0.027 per share) respectively.

#### (b) Mineral resource interests

The cost of acquisition of mineral interests which contain economic mineral reserves and the cost incurred on mineral exploration interests subsequent to the determination that such interests contain economic mineral reserves are deemed to be mineral resource interests. These interests, together with development expenditures thereon, are deferred and carried as an asset to be amortized against future production. Upon disposal or abandonment, the net gain or loss related to such asset is reflected in the statement of income.

#### (c) Investment in The Iron Bay Trust

The Iron Bay Trust owns an 80% interest in a producing mining property which is leased to The Steel Company of Canada, Limited until April 30, 2040. The Corporation has a 39.1% interest in the Trust, represented by 1,000,000 trust units. Since royalties are received on a unit of production basis, it is the Corporation's policy to amortize its investment on this basis over total estimated production.

### 2. Investment in Consortina

Consortina Incorporated owns and operates restaurant and hotel facilities in the Metropolitan Toronto area and is effectively owned and financed as follows:

	Equity	Financing Interest
Chimo Gold Mines Limited .....	18%	19.0%
Conwest Exploration Company Limited .....	72	75.7
President of Consortina .....	10	5.3
	<u>100%</u>	<u>100.0%</u>

The Corporation and the other financing participants noted above are party to a number of agreements with Consortina pursuant to which the Corporation is participating in the financing of Consortina. The Corporation's investment in Consortina is comprised of the following:

	1979	1978
Shares and unsecured advances ...	\$ 63,053	\$ 78,602
Advances secured by Series A and B debentures of Consortina .....	2,084,947	2,099,158
	<u>2,148,000</u>	<u>2,177,760</u>
Provision for loss .....	780,000	780,000
	<u>\$ 1,368,000</u>	<u>\$ 1,397,760</u>

Pursuant to the financing agreements, the Series A and B debentures of Consortina rank pari passu with debentures of each series respectively held by the other financing participants and both series are subordinate to certain long term debt of Consortina in the amount of approximately \$3,429,000. The Corporation agreed to waive interest on the advances for 1979.

### 3. Income Taxes

At December 31, 1979 the Corporation has resource expenditures and capital cost allowances of \$1,049,000 which are available to reduce or eliminate income taxes that would otherwise be recorded as a charge against income of future years. The tax effect of these deductions has not been reflected in the financial statements.

Approximately \$131,000 (1978, \$150,000) of deductions of this type were applied to eliminate income taxes that would otherwise have been recorded as a charge against income of the current year. Since reductions or eliminations of this nature are recurring on a regular basis over an extended period of years and are typical of the Corporation's normal business activities, they are not considered to be extraordinary in nature and are reflected as a reduction of current income taxes when realized.

### 4. Commitment

Pursuant to an agreement dated January 1, 1979, the Corporation, Conwest, International Mogul Mines Limited and Consolidated Canadian Faraday Limited agreed to expend in total up to \$1,500,000 annually to December 31, 1981 on certain non-hydrocarbon exploration projects. The Corporation has agreed to contribute 27% of amounts expended on projects covered by this agreement.

### 5. Comparative Figures

The 1978 comparative figures have been restated to reflect the change in accounting practice referred to in note 1(a) and have been reclassified to conform with the financial statement presentation adopted for 1979.

### 6. Remuneration of Directors and Senior Officers

Aggregate direct remuneration paid to directors and senior officers (as defined by The Business Corporations Act) during the year amounted to \$17,500 (1978, \$16,200).

Central Patricia Gold Mines, Limited pays substantially all of the remuneration of directors and senior officers of the Corporation and certain other corporations and is reimbursed by these corporations for their proportionate share. The Corporation's share of the amount so paid was \$67,344 (1978, \$57,820).



# Chimo Gold Mines Limited

## NOTICE OF ANNUAL MEETING OF SHAREHOLDERS JUNE 6, 1980

NOTICE IS HEREBY GIVEN that the annual meeting of shareholders of CHIMO GOLD MINES LIMITED (the "Corporation") will be held in the Rosedale Room, Hotel Plaza II, 90 Bloor Street East, Toronto, Ontario, on Friday the 6th day of June, 1980, at the hour of 9:30 o'clock in the forenoon (Toronto time) for the following purposes:

1. To receive and consider the financial statements of the Corporation for the year ended December 31, 1979, together with the report of the auditors thereon;
2. To elect directors;
3. To appoint auditors and to authorize the directors to fix their remuneration; and
4. To transact such further or other business as may properly come before the meeting or any adjournment thereof.

DATED the 29th day of April, 1980.

By Order of the Board,

J. A. Patterson,  
Vice-President and Secretary.

**NOTE:** Shareholders who are unable to be present personally at the meeting are requested to sign and return, in the envelope provided for that purpose, the accompanying form of proxy for use at the meeting.

# Chimo Gold Mines Limited

## INFORMATION CIRCULAR

### MANAGEMENT SOLICITATION

This information circular is furnished in connection with the solicitation of proxies by the Management of CHIMO GOLD MINES LIMITED (the "Corporation") for use at the annual meeting of the shareholders of the Corporation to be held on Friday, June 6, 1980 at 9:30 o'clock in the forenoon (Toronto time) in the Rosedale Room, Hotel Plaza II, 90 Bloor Street East, Toronto, Ontario, for the purposes set out in the notice of meeting. The cost of solicitation will be borne by the Corporation.

The form of proxy forwarded to shareholders with the notice of meeting confers discretionary authority upon the proxy nominees with respect to amendments or variations of matters identified in the notice of meeting or other matters which may properly come before the meeting.

Management knows of no matters to come before the meeting other than the matters referred to in the notice of meeting. However, if any other matters not now known to Management should properly come before the meeting the shares represented by the proxies in favour of Management nominees will be voted on such matters in accordance with the best judgment of the proxy nominee.

Proxies given by shareholders for use at the meeting may be revoked at any time prior to their use. In addition to revocation in any other manner permitted by law, a proxy may be revoked by an instrument in writing executed by the shareholder or by his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and deposited either at the head office of the Corporation at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used or with the chairman of such meeting on the day of the meeting, or adjournment thereof, and upon either of such deposits the proxy is revoked.

### VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The authorized capital of the Corporation is \$5,000,000 divided into 5,000,000 shares with a par value of \$1 each of which 3,371,086 shares are issued and outstanding as fully paid and non-assessable. Holders of outstanding shares of record at the close of business on June 4, 1980 will be entitled to one vote per share at the meeting.

To the knowledge of the directors and senior officers of the Corporation, the only person who beneficially owns, directly or indirectly, equity shares of the Corporation carrying more than 10% of the voting rights attached to all equity shares of the Corporation is Conwest Exploration Company Limited ("Conwest") which beneficially owns 2,389,673 shares, being 70.9% of the outstanding shares of the Corporation.

### ELECTION OF DIRECTORS

Each of the persons whose name appears hereunder is proposed to be elected as a director of the Corporation to serve until the next annual meeting of shareholders or until his successor is elected or appointed. It is intended that the shares represented by proxies in favour of Management nominees will be voted in favour of the election of such persons as directors of the Corporation. In the event that any vacancies occur in the slate of such nominees, it is intended that discretionary authority shall be exercised to vote such proxies for the election of any other person or persons nominated by Management as directors.



Name and Office Held	Principal Occupation	Year first Elected or Appointed as a Director	Common Shares of the Corporation Beneficially Owned Directly or Indirectly as at April 29, 1980
Martin P. Connell, (1) Toronto, Chairman of the Board	Chairman of the Board of Conwest Exploration Company Limited (a resource exploration company)	1971	1
Colin C. Coolican, (2) Toronto, Executive Vice-President	Executive Vice-President of Conwest Exploration Company Limited (a resource exploration company)	—	—
Donald J. Hains, (3) Oakville, Director	President, Lurgi Canada Limited (an engineering company)	1976	1
John C. Lamacraft, (3) (4) Toronto, President and Director	President of Conwest Exploration Company Limited and International Mogul Mines Limited (resource exploration companies)	1973	1
Robert J. Metcalfe, (3) Toronto, Director	Partner, Lang, Michener, Cranston, Farquharson & Wright (Barristers & Solicitors)	1978	1

NOTE:

- (1) Conwest is an associate of Mr. M. P. Connell. Reference is made to "Voting Shares and Principal Holders Thereof" above for particulars of the shareholdings of Conwest in the Corporation.
- (2) Each of the above nominees, other than Mr. Coolican, has been elected to his present term of office by a vote of shareholders at a meeting, the notice of which was accompanied by an information circular. Mr. Coolican has been Executive Vice-President of Conwest Exploration Company Limited since March 24, 1980. For the preceding five years Mr. Coolican was a partner of McCarthy & McCarthy, Barristers and Solicitors, of Toronto.
- (3) The Corporation is required to have an Audit Committee. Each of the above noted nominees is presently a member of that Committee.
- (4) The Corporation has previously provided assistance to Mr. Lamacraft to purchase a house for his own occupation and since the commencement of the Corporation's 1979 financial year, the maximum amount of such indebtedness to the Corporation was \$41,250, of which \$38,750 remains outstanding. This loan is fully secured, non-interest bearing and is repayable at the rate of \$2,500 per annum.

## REMUNERATION OF MANAGEMENT

### DIRECTORS' AND OFFICERS' REMUNERATION FROM THE CORPORATION WHICH HAS NO SUBSIDIARIES

#### NATURE OF REMUNERATION

DIRECTORS (5)  
From the Corporation

5 SENIOR OFFICERS:

Aggregate Remuneration	Pension Benefits	Retirement Benefits
\$ 9,450	Nil	Nil
70,630	Nil	Nil
\$80,080	Nil	Nil

Central Patricia Gold Mines, Limited pays substantially all of the remuneration of directors and senior officers of certain related companies and is reimbursed by these companies. During the financial year ended December 31, 1979 the Corporation's share of the amount so paid was \$73,644 of which \$60,630 is included in the total shown above.

The Corporation has previously provided assistance to Mr. C. K. O'Connor, presently a director and officer of the Corporation, to purchase a house for his own occupation and since the commencement of the Corporation's 1979 financial year, the maximum amount of such indebtedness to the Corporation was \$32,450, of which \$29,950 remains outstanding. This loan is fully secured, non-interest bearing and is repayable at the rate of \$2,500 per annum.

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

During 1979 certain interests in the Conwest Group were reorganized and simplified. As part of this simplification International Mogul Mines Limited ("Mogul") purchased Conwest Exploration Company Limited's ("Conwest") 9% interest and Chimo's 3.1% interest in Consolidated Canadian Faraday Limited ("Faraday") for an aggregate consideration of \$1,726,000, being \$4.00 per share. Just prior to these transactions Mogul purchased from a third party 9.9% of Faraday at \$4.00 per share.

At the time of the transactions referred to above Mr. M. P. Connell was a director and shareholder of Conwest, Chimo and Mogul. Mr. J. C. Lamacraft was at that time a director and shareholder of Conwest, Chimo and Mogul. Mr. Lamacraft also held options, pursuant to an employee stock option plan, to acquire common shares of Mogul.

Each of these transactions were approved by an independent quorum of the board of directors of each of the companies involved.

## **APPOINTMENT OF AUDITORS**

Management proposes to nominate Thorne Riddell, the present auditors, as auditors of the Corporation to hold office until the close of the next annual meeting of shareholders. It is intended that the shares represented by proxies in favour of Management nominees will be voted in favour of the appointment of Thorne Riddell as auditors of the Corporation and the authorization of the directors of the Corporation to fix their remuneration.

DATED April 29, 1980.











